

19 APR 1985

CERTIFIED MAIL

Ladies and Gentlemen:

We have considered your application for recognition of exemption from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

The data submitted discloses you were organized on [REDACTED]. Your stated purpose is to cater for the social, moral and financial needs of all active members. Your activities include the payment of funeral expenses on behalf of members, gifts to the sick and the new born of members. You anticipate forming a cultural group to teach dancing to your members and their children.

You are a membership organization. Every member is required to be a [REDACTED]. Your funds are derived from membership dues, application fees and fund raising events.

Section 501(c)(3) of the Code provides for the exemption of organizations which are organized and operated exclusively for charitable, religious, and educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(a)-1(c) of the regulations defines private shareholder or individuals as persons having private interest in the activities of the organization.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provide that an organization is not organized and operated exclusively for charitable, religious and educational purposes unless it serves a public rather than a private purpose.

Revenue Ruling 73-349, 1973 CB-2, 179, held that an organization formed to purchase groceries for its membership at the lowest possible prices on a cooperative basis is not exempt from tax as a social welfare organization under Section 501(c)(4) of the Code. The ruling further stated that the organization is operated primarily for the private benefit of its members.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
		[REDACTED]					
Surname		[REDACTED]					
Date		12/11/85					

[REDACTED]

In Revenue Ruling 60-175, 1969-1 C.B. 149, a non-profit organization formed by parents of pupils attending a private school that provides school bus transportation for the members' children was held to service a private rather than a public interest, and did not qualify for exemption.

Similarly, Revenue Ruling 55-311, 1955-1 C.B. page 292 denied exemption to a vanpool formed for the convenience of its members for transportation to and from work.

The payment of funeral expenses on behalf of members and the purchasing of gifts for sick members and their children constitutes the serving of private interests rather than public interests.

On the basis of the evidence presented we find that you are not operating exclusively for exempt purposes under Section 501(c)(3) because your activities do not benefit a charitable class but serve private interests.

In addition, your creative document, your Constitution, does not meet the organizational test since its purposes are not exclusively charitable, educational, religious or scientific as required by Section 501(c)(3) of the Code and it does not provide for a proper dissolution provision.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations states, "In order to be exempt as an organization described in Section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such Section. If an organization fails to meet either the organizational test or the operational test, it is not exempt."

Section 1.501(c)(3)-1(b)(4) states that "an organization is not organized exclusively for one or more exempt purpose unless its assets are dedicated to an exempt purposes" as described in this Section.

We have concluded you are not an organization described in Section 501(c)(3) of the Code since you do not meet the organizational test or the operational test. Contributions made to your organization are not deductible by donors. You are therefore required to file Federal income tax returns on Form 1120. Also the appropriate state officials will be routinely notified of this action in accordance with Section 6104(c) of the Code. You do not qualify under any other Section of 501(c).

[REDACTED]

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office, or if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this Section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

[REDACTED]  
District Director

Enclosure: Publication 892